

**FY 2003-04  
Budget Detail  
for  
REGULATORY**

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**Consumer and Industry Services  
Career Development  
Michigan Strategic Fund**



**Summary: Enacted Appropriations**  
**CONSUMER AND INDUSTRY SERVICES**  
**FY 2003-04 Senate Bill 286**  
**Public Act 167 of 2003**

**Analyst: Steve Stauff**

	FY 2002-03 YTD (as of 3/6/03)	Executive	Senate	House	Enacted	Difference: Enacted from FY 2002-03 YTD	
						Amount	%
<b>IDG/IDT</b>	\$111,100	\$111,100	\$111,100	\$111,100	\$111,100	\$0	0.0
<b>Federal</b>	241,911,500	283,831,500	283,831,500	283,831,500	283,831,500	41,920,000	17.3
<b>Local</b>	0	0	0	0	0	0	0.0
<b>Private</b>	770,000	770,000	770,000	770,000	770,000	0	0.0
<b>Restricted</b>	273,487,300	285,815,300	298,343,800	298,694,400	299,143,800	25,656,500	9.4
<b>GF/GP</b>	32,900,500	19,669,800	20,185,800	20,184,700	19,669,800	(13,230,700)	(40.2)
<b>Gross</b>	<b>\$549,180,400</b>	<b>\$590,197,700</b>	<b>\$603,242,200</b>	<b>\$603,591,700</b>	<b>\$603,526,200</b>	<b>\$54,345,800</b>	<b>9.9</b>
<b>FTEs</b>	4,012.4	4,001.0	3,535.5	3,535.5	3,533.5	(478.9)	(11.9)

*Note: FY 2002-03 YTD figures do not include the results of any supplementals, contingency transfers, or Executive Order actions that occurred after March 6, 2003.*

### **Overview**

The Department of Consumer and Industry Services (CIS) is the state's primary regulatory agency. The Department has responsibility for a diverse set of programs, including the state's unemployment and worker's compensation systems, enforcement of industrial and occupational safety laws, regulation of specific industry groups (e.g., banking, public utilities), and licensing and regulation of occupational groups and regulated facilities. Over 93% of the current-year budget is financed through either regulatory fee/assessment revenue or federal funding.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>FY 2002-03 YTD (as of 3/6/03)</b>	<b>Enacted Change from YTD</b>
<b>1. Fee Increases Offset GF/GP Appropriations</b>	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
Recognizes \$10.6 million in state restricted revenue that is anticipated to be generated by a number of fee increases. The appropriations are used to offset GF/GP appropriations within the budget. The increases include corporate annual report and document filing fees, registration fees for investment advisors and securities brokers/agents, licensing-related fees for a number of different occupational fields, and licensing and regulatory fees imposed on different health facilities.	Restricted	N/A	10,600,000
	GF/GP	N/A	(\$10,600,000)
<b>2. Worker's Compensation Appellate Commission</b>	<b>Gross</b>	<b>\$1,788,600</b>	<b>(\$849,300)</b>
Reduces appropriations for the Worker's Compensation Appellate Commission to support four commissioners, office space and staff instead of the previous seven-member Commission.	Restricted	1,788,600	(849,300)

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>FY 2002-03 YTD (as of 3/6/03)</b>	<b>Enacted Change from YTD</b>
<b>3. Section 8 Rental Subsidies</b>	<b>Gross</b>	<b>\$78,000,000</b>	<b>\$42,000,000</b>
Authorizes additional \$42.0 million in federal revenue to reflect increased funds for use in providing Section 8 rental vouchers to low-income individuals. The voucher program is administered by the Michigan State Housing Development Authority and helps to subsidize rental costs for eligible individuals.	Federal	78,000,000	42,000,000
<b>4. Fire Protection Grants</b>	<b>Gross</b>	<b>\$3,710,500</b>	<b>\$12,128,500</b>
Increases Fire Protection Grants funding level to \$15,839,000 funded from the Liquor Purchase Revolving Fund, contingent upon statutory changes that will affect a \$12,128,500 increase to the fund. Funding contingency language can be found in boilerplate Sec. 347.	Restricted	3,710,500	12,128,500
<b>5. Supplemental FY 2002-03 - SB 540 - Housing Assistance Payments</b>	<b>Gross</b>	<b>\$0</b>	<b>\$37,700,000</b>
Provides additional federal HUD, Lower Income Housing Assistance Program authorization for processing payments (\$5.7 million), and the actual payments (\$32.0 million) to Section 8 contractors. Program is administered by the Michigan State Housing Development Authority.	Restricted	0	37,700,000

**Major Boilerplate Changes from FY 2002-03:****Sec. 335. Low-Income/Energy Efficiency Assistance Program – MODIFIED**

Retains FY 2002-03 law which requires reporting from the Department on the Low-Income/Energy Efficiency Assistance Program. Language is modified to include an earmarking of \$3.0 million from the fund to community action agencies across the state.

**Sec. 347. Fire Protection Grants Funding Contingency – NEW**

Requires that of the appropriation for fire protection grants, \$12,128,500 is contingent upon statutory changes that would increase the deposit into the Liquor Purchase Revolving Fund.

**Sec. 350. Adverse Determination by Health Benefit Plan/External Review Awareness Promotion – NEW**

Requires the Department to allocate funds to promote awareness of policy holders to request an external review of an adverse determination by a health benefit plan, after the health carrier's internal grievance process has been exhausted.

**Sec. 351. Real Estate Continuing Education – NEW**

Requires that 1) the Department report no later than December 31 to the subcommittees showing the date each real estate continuing education course was submitted for approval and the date of final disposition, approval or denial; 2) the Department post on its website approved real estate continuing education courses, dates, times, instructors, locations and credit hours of the courses; 3) the Department make available by November 15, 2003, to the public the pre-licensure and continuing education course approvals; 4) the legislative intent that sponsors of continuing education be able to report on an applicant's or licensee's completion of courses to the Department electronically by the close of FY 2003-04.

**Sec. 352. Appellate Commission/Board of Magistrates Case Timeliness and Membership – NEW**

Requires that expenditures in part 1 be used so that the two bodies decide cases in a timely manner and that funding from the Unclassified Salaries appropriation line support only four worker's compensation appellate commissioners and 27.5 magistrates.

**Sec. 355. Lead and Lead Paint Testing – NEW**

Requires if federal funds are available, that before issuing a license for a day care facility the Department shall inspect for the presence of lead and lead-based paint in that facility.

**Sec. 325. Supplemental FY 2002-03 - Public Act 39 of 2003 – Broadband Authority**

States legislative intent that the headquarters of the Broadband Authority remain in Ann Arbor.

**Summary: Enacted Appropriations  
CAREER DEVELOPMENT  
FY 2003-04 Senate Bill 285  
Public Act 169 of 2003**

**Analyst: Steve Stauff**

IDG/IDT	FY 2002-03 YTD (as of 3/6/03)	Executive	Senate	House	Enacted	Difference: Enacted from FY 2002-03 YTD	
						Amount	%
	\$0	\$0	\$0	\$0	\$0	\$0	0.0
<b>Federal</b>	406,469,200	418,100,400	418,100,400	418,100,400	418,100,400	11,631,200	2.9
<b>Local</b>	15,011,900	15,011,900	15,011,900	15,011,900	15,011,900	0	0.0
<b>Private</b>	2,396,300	2,396,300	2,396,300	2,396,300	2,396,300	0	0.0
<b>Restricted</b>	7,661,500	6,664,700	6,664,700	6,664,700	6,664,700	(996,800)	(13.0)
<b>GF/GP</b>	26,572,800	24,706,700	23,956,700	23,955,000	24,706,700	(1,866,100)	(7.0)
<b>Gross</b>	<b>\$458,111,700</b>	<b>\$466,880,000</b>	<b>\$466,130,000</b>	<b>\$466,128,300</b>	<b>\$466,880,000</b>	<b>\$8,768,300</b>	<b>1.9</b>
<b>FTEs</b>	1,095.0	1,089.0	989.5	989.5	989.5	(105.5)	(9.6)

*Note: FY 2002-03 YTD figures do not include the results of any supplementals, contingency transfers, or Executive Order actions that occurred after March 6, 2003.*

### **Overview**

The Department of Career Development is charged with fostering the state's workforce development system. A primary duty is administration of various federal funding streams which support job readiness, job search, and employment training programs for various populations. These include the state's Work First program for welfare recipients, the Michigan Rehabilitation Services unit, which supports vocational programs for the disabled, and general job search/training programs for adults and youth. Most direct services in these areas are provided through a network of 25 regional Michigan Works! agencies across the state. Almost 90% of the budget is financed through federal revenue.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>FY 2002-03 YTD (as of 3/6/03)</b>	<b>Enacted Change from YTD</b>
<b>1. Council of Michigan Foundations</b>	<b>Gross</b>	<b>\$2,000,000</b>	<b>(\$1,000,000)</b>
Reduces the Council of Michigan Foundations by \$1.0 million. Modified FY 2002-03 boilerplate would earmark all remaining funds to programs related to smoking prevention and cessation.		Restricted 2,000,000	(1,000,000)
<b>2. Pre-College Programs in Engineering and the Sciences</b>	<b>Gross</b>	<b>\$900,000</b>	<b>(\$400,000)</b>
Reduces the gross appropriation by \$400,000. As indicated in boilerplate, both the Detroit program and Grand Rapids program will receive an allocation of \$250,000. Both programs provide special math and science programs for disadvantaged youth interested in science and engineering careers.		GF/GP \$900,000	(\$400,000)
<b>3. Michigan Works! Service Centers</b>	<b>Gross</b>	<b>\$98,792,700</b>	<b>(\$180,000)</b>
Removes most of the remaining GF/GP subsidy for the operations of the state's Michigan Works! Service Centers. The GF/GP support was provided to help subsidize general administrative activity not specifically related to any one program.		Federal 98,602,700	0
	GF/GP	\$190,000	(\$180,000)

**CAREER DEVELOPMENT**

<b><u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u></b>		<b>FY 2002-03 YTD (as of 3/6/03)</b>	<b>Enacted Change from YTD</b>
<b>4. Administrative Reductions</b>	<b>Gross</b>	<b>\$7,039,700</b>	<b>(\$539,400)</b>
Removes \$539,400 GF/GP supporting Department administrative activities in anticipation of the proposed consolidation of the DCD with the Department of Consumer and Industry Services. This includes elimination of the remaining FY 2002-03 appropriation of \$110,000 for the DCD's Unclassified Salaries line item as well as a reduction of \$429,400 to the Department's Administration line item.	Federal	4,501,100	0
	Restricted	417,900	0
	GF/GP	\$2,120,700	(\$539,400)
<b>5. Non-GF/GP Reductions – Executive Order 2003-3</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$415,500)</b>
Reduces federal appropriations that were tied to GF/GP matching funds removed in Executive Order 2003-3. Reductions include \$128,400 in federal Perkins Act funding for vocational education programs and \$287,100 in federal vocational rehabilitation dollars.	Federal	N/A	(415,500)
<b>6. Federal Trade Adjustment Assistance</b>	<b>Gross</b>	<b>\$5,000,000</b>	<b>\$11,000,000</b>
Increases available federal revenue to assist dislocated workers impacted by the North American Free Trade Agreement (NAFTA).	Federal	5,000,000	11,000,000
<b>7. Other Federal Funding Changes</b>	<b>Gross</b>	<b>N/A</b>	<b>\$1,142,300</b>
Increases federal authorization to account for increased federal revenues available to support administration of adult education programs (\$150,000) and to support enhancements to the state's labor market information programs (\$992,300).	Federal		\$1,142,300
<b>8. Volunteer Investment Grants Reduction</b>	<b>Gross</b>	<b>\$780,100</b>	<b>(\$500,000)</b>
Reduces the Volunteer Investment Grants program by \$500,000 GF/GP.	GF/GP	\$780,100	(\$500,000)

**Major Boilerplate Changes from FY 2002-03:****Sec. 309. Pre-College Grants Program Funding – MODIFIED**

Modifies current-year language changing the funding amounts to \$250,000 for Detroit and \$250,000 for Grand Rapids.

**Sec. 313. Council of Michigan Foundations – MODIFIED**

Current law provides that the tobacco settlement revenue appropriation to the Council of Michigan Foundations be distributed to support local community efforts to address youth and senior health needs. The modified language earmarks the remaining appropriation to support local smoking prevention and cessation efforts.

**Section 316. School Fee Fund – DELETED**

Deletes current-year language. Providing for the carry-forward of any un-expended balance within this fund at the end of the fiscal year.

**Summary: Enacted Appropriations  
MICHIGAN STRATEGIC FUND  
FY 2003-04 Senate Bill 285  
Public Act 169 of 2003**

**Analyst: Steve Stauff**

	FY 2002-03 YTD (as of 3/6/03)	Executive	Senate	House	Enacted	Difference: Enacted from FY 2002-03 YTD	
						Amount	%
<b>IDG/IDT</b>	\$100,900	\$100,900	\$100,900	\$100,900	\$100,900	\$0	0.0
<b>Federal</b>	62,953,300	52,953,300	52,953,300	52,953,300	52,953,300	(10,000,000)	(15.9)
<b>Local</b>	0	0	0	0	0	0	0.0
<b>Private</b>	853,100	853,100	853,100	853,100	853,100	0	0.0
<b>Restricted</b>	32,550,000	10,050,000	15,150,000	15,149,900	10,050,000	(22,500,000)	(69.1)
<b>GF/GP</b>	40,426,100	35,555,900	31,388,400	41,387,900	40,555,900	129,800	0.3
<b>Gross</b>	<b>\$136,883,400</b>	<b>\$99,513,200</b>	<b>\$100,445,700</b>	<b>\$110,445,100</b>	<b>\$104,513,200</b>	<b>(\$32,370,200)</b>	<b>(23.6)</b>
<b>FTEs</b>	231.5	231.5	200.0	200.0	200.0	(31.5)	(13.6)

*Note: FY 2002-03 YTD figures do not include the results of any supplementals, contingency transfers, or Executive Order actions that occurred after March 6, 2003.*

**Overview**

The Michigan Strategic Fund (MSF) Agency administers the state's economic development programs and initiatives. Currently housed as an autonomous agency within the Department of Management and Budget, the MSF administers most of its programming through the Michigan Economic Development Corporation (MEDC)—which is a public corporation representing a partnership between the state-level MSF and various local economic development agencies. MEDC programs include the Life Sciences Corridor, initiative to encourage the commercialization of life sciences research, the state's tourism promotion efforts, business attraction and incentive programs, and general efforts to market the state as a business location.

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

**1. Life Sciences and Technology Tri-Corridor -  
Life Sciences Initiative**

Reduces life sciences research and commercialization funding by \$17.5 million, the result of a \$22.5 million tobacco settlement revenue reduction and an increase of \$5.0 million GF/GP. Homeland security and automotive initiatives, as stated in the Executive recommendation, will be paid for with tribal gaming revenue.

	FY 2002-03 YTD (as of 3/6/03)	Enacted Change from YTD
<b>Gross</b>	<b>\$32,500,000</b>	<b>(\$17,500,000)</b>
Restricted	32,500,000	(22,500,000)
GF/GP	\$0	\$5,000,000

**2. Economic Development Job Training Grants**

Reduces appropriations for the grant program by 18.6%. Funds are utilized to support the development and delivery of customized job training curricula for specific Michigan businesses seeking to retain or attract jobs.

<b>Gross</b>	<b>\$12,348,000</b>	<b>(\$2,300,000)</b>
GF/GP	\$12,348,000	(\$2,300,000)

<b><u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u></b>		<b>FY 2002-03 YTD (as of 3/6/03)</b>	<b>Enacted Change from YTD</b>
<b>3. Michigan Promotion Program</b> Reduces the appropriation for the state's tourism promotion activities by \$700,000 (a 10.9% reduction from FY 2002-03). The line item primarily supports advertising campaigns in targeted markets that promote Michigan as a vacation destination.	<b>Gross</b>	<b>\$6,417,500</b>	<b>(\$700,000)</b>
	GF/GP	\$6,417,500	(\$700,000)
<b>4. Community Development Block Grants</b> Reduces federal appropriation for Community Development Block Grants by \$10.0 million; reflects available funding and historical expenditures.	<b>Gross</b>	<b>\$60,000,000</b>	<b>(\$10,000,000)</b>
	Federal	60,000,000	(10,000,000)
<b>5. MEDC Administration Line</b> Reduces appropriations supporting the economic development programs and staff of the Michigan Economic Development Corporation by \$509,000.	<b>Gross</b>	<b>\$4,563,700</b>	<b>(\$509,000)</b>
	GF/GP	\$4,563,700	(\$509,000)
<b>6. Supplemental FY 2002-03 - SB 540 Automotive Technological Accelerator Grants</b> Provides grant funding for research, development and commercialization of innovative automotive technologies and products.	<b>Gross</b>	<b>\$0</b>	<b>\$2,200,000</b>
	GF/GP	\$0	\$2,200,000
<b>7. Supplemental FY 2002-03 - SB 540 Biosciences Research and Commercialization Center</b> Provides a \$10.0 million GF/GP appropriation for a biosciences research and commercialization center to be located in Kalamazoo County. The center will coordinate and promote Michigan life sciences research initiatives, business establishment, and commercialization opportunities at Western Michigan University and within the business technology park.	<b>Gross</b>	<b>\$0</b>	<b>\$10,000,000</b>
	GF/GP	\$0	\$10,000,000

**Major Boilerplate Changes from FY 2002-03:**

***Sec. 401. Economic Development Job Training (EDJT) Grants – MODIFIED***

Makes major changes in the following subsections: (1) the program is split into two separate components; the Business Response Program and the Manufacturing Competitiveness Program, an appropriation is made for each, (2) administration and operating costs are set at \$800,000 instead of a set percentage of total funds, (3) modifies current-year language by allowing EDJT grants to be expended for the training of permanent strike replacement workers if the strike exceeds three years and good faith negotiations are ongoing, (4) modifies current-year language to allow 75% of EDJT funding to community colleges or a consortium of community colleges, (11) existing match requirements for participating businesses are increased from 25% to 30%.

***Sec. 410. Life Sciences Corridor/Technology Tri-Corridor – MODIFIED***

Makes major changes in the following subsections: (1) now designates \$15,000,000 for the Life Sciences Initiative, with all potential businesses taking advantage of commercialization funds, and tribal casino revenue will support the Homeland Security and Automotive Initiatives, (2) a new 19-member steering committee is proposed, including new committee designations for the Director of the Department of Consumer and Industry Services, the State Treasurer, a representative from Western Michigan University, and two members representing the Legislature, (3) allows not more than \$5.0 million for all business commercialization activities, (4) requires that funded homeland security and automotive initiative proposals contain a life sciences component, (5) creates the business commercial development fund.

***Sec. 416. Ethnic Destination Marketing Organizations – DELETED***

Deletes current-year language which requires Travel Michigan to coordinate with ethnic marketing organizations to promote ethnic festivals and events in Michigan target markets.



**Major Boilerplate Changes from FY 2002-03:**

***Sec. 419. Port Huron Technical Assistance Center – DELETED***

Deletes current-year language allocating \$20,000 of the appropriation for “Job Creation Services” to the Port Huron Technical Assistance Center, one of a number of centers around the state that provides assistance to regional businesses in the areas of government procurement and international trade.

***Sec. 419. Advice and Consent Language – NEW***

Includes intent language that the members of the executive committee of the MEDC are subject to the advice and consent of the Senate.

***Sec. 381. Supplemental FY 2002-03 - SB 540 Biosciences Research and Commercialization Center – NEW***

Provides guidance on the use of \$10.0 million appropriated in part 1 for the biosciences research and commercialization center. The language: 1) designates the partners in the organization of the center, 2) details the responsibilities of the life sciences steering committee in providing advice and oversight of grant awards, 3) mandates a report by February 1, 2004, and lists what the report is to include, and 4) allows any unexpended or unencumbered balances at close of FY 2002-03 to be set up as a work project.

***Sec. 601. Supplemental FY 2002-03 - PA 39 of 2003 Life Sciences Corridor Initiative***

Corrects language in the FY 2002-03 enacted Michigan Strategic Fund appropriation bill due to a \$12.5 million reduction to the Life Sciences Corridor appropriation resulting from DMB letter dated 2/19/03.

***Sec. 1001. Supplemental FY 2002-03 - PA 39 of 2003 Life Sciences Corridor Repealer***

Repeals language in the FY 2002-03 enacted Michigan Strategic Fund appropriation bill relating to an original appropriation of \$45.0 million for the Life Sciences Corridor Initiative.